GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:224
ANSWERED ON:30.11.2015
E-Commerce
Antony Shri Anto

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government is encouraging e-commerce and if so, the details thereof;

(b) whether the Government has any statistics regarding revenue generated through e-commerce;

(c) if so, the details of revenue generated through e-commerce in the country during each of the last three years and the current year;

(d) whether the Government has any mechanism to identify tax evasion through e-commerce and if so, the details thereof; and

(e) whether the Government has any plan to impose service charge on e-commerce and if so, the details thereof along with the steps taken in this regard?

Answer

???????? ??? ?????? ???????????? (????????? ??????)(??????? ??????? ???????)
THE MINISTER OF STATE (INDEPENDENT CHARGE)
OF THE MINISTRY OF COMMERCE & INDUSTRY
(SHRIMATI NIRMALA SITHARAMAN)

(a): To encourage investment in e-commerce sector, FDI policy permits 100% foreign investment under the automatic route in companies engaged in e-commerce provided that such companies would engage only in Business to Business (B2B) e-commerce. Further, it has been decided an entity will be permitted to undertake retail trading through e-commerce under the following circumstances:

i) A manufacturer is permitted to sell its products manufactured in India through e-commerce retail.

ii) A single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.

iii) An Indian manufacturer is permitted to sell its own single brand products through e-commerce retail. Indian manufacturer would be the investee company, which is the owner of the Indian brand and which manufactures in India, in terms of value, at least 70% of its products in house, and sources, at most 30% from Indian manufacturers.

(b) & (c): No separate data is maintained in respect of revenue generated through e-commerce.

(d): The Government has a mechanism to identify tax evasion based on intelligence, complaint and third-party information. The same mechanism is used for identifying tax evasion by e-commerce businesses as well.

(e): Trading of goods online does not attract levy of Service Tax, as they are included under 'negative list' of services under Section 66D of the Finance Act, 1994. If the e- tailing company provides support to the retailer by way of business support, such as, affiliation, storage, delivery, technical support, etc. and goods are sold by the retailer, the fee collected by the e-tailing company attracts service tax. Besides, any service by way of online advertisement also attracts service tax. E- commerce web- sites dealing with services are mostly intermediaries or aggregators. Under Rule 2(aa) of the Service Tax Rules, 1994, 'aggregator' means a person, who owns and manages a web based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator. However, aggregators may provide services on their own account also. In that case, the services provided are liable to service tax as per the provisions of the Finance Act, 1994. In Union Budget 2015, with effect from 01.03.2015, the aggregator has been made liable to pay Service Tax on behalf of the service providers if the service is so provided using the brand name of the aggregator in any manner. In so far as the intermediaries are concerned, they are liable to Service Tax for the commission received and the service provider will pay the Service Tax for the services provided. In case of import of taxable service by business entity, the recipients of such service are liable to pay Service Tax.

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